

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Cotton and Products Update – September 2018

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Cotton and Products

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Report Highlights:

FAS Mumbai forecasts marketing year (MY) 2018/19 cotton acreage at 12.35 million hectares and production at 28.5 million 480-pound (lb) bales. Indian cotton exports will remain slow. However, cotton yarn and textile exports will remain strong as Indian currency supports higher export prospects. Mill consumption will remain flat as new minimum support prices for cotton drive up the input costs.

General Information:

Production, Supply, Distribution – Cotton – India

	2016/2017		2017/2018		2018/2019	
Begin Market Year	August 2016		August 2017		August 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	-	-	-	-	-	-
Area Harvested (a)	10,850	10,850	12,400	12,450	11,900	12,350
Beginning Stocks	9,944	9,944	10,780	11,160	11,580	12,160
Production	27,000	27,000	29,000	29,000	28,700	28,500
Imports	2,736	2,736	1,700	1,700	1,500	1,500
MY U.S. Imports	-	-	-	-	-	-
Total Supply	39,680	39,680	41,480	41,860	41,780	42,160
Exports	4,550	4,520	5,200	5,200	4,400	4,300
Use	24,350	24,000	24,700	24,500	25,500	25,000
Loss	-	-	-	-	-	-
Total Dom. Cons.	24,350	24,000	24,700	24,500	25,500	25,000
Ending Stocks	10,780	11,160	11,580	12,160	11,880	12,860
Total Distribution	39,680	39,680	41,480	41,860	41,780	42,160
Stock to Use (b)	37	39	39	41	40	44
Yield (c)	542	542	509	507	525	502
Figures in Thousand 480-lb Bales, Except Where Indicated: (a) Thousand Hectares, (b) Percent, (c) Kilograms/Hectares						

Area and Production

FAS Mumbai estimates the MY 2018/19 cotton planted area at 12.35 million hectares based on updated Ministry of Agriculture and Farmers Welfare (MOAFW) acreage estimates. FAS Mumbai estimates one percent higher than the MOAFW estimate because the Southern Indian states of Karnataka, Tamil Nadu, and Odisha saw late planting during the Rabi cropping season (October to March). On September 28, 2018, MOAFW published the first advance estimates of MY 2018/19 area sown. Estimated cotton area sown decreased to 12.24 million hectares – 190,000 hectares lower than last year. The 2013–2017 five-year average for cotton area sown during the Kharif cropping season (July to October) is 11.98 million hectares.

FAS Mumbai estimates MY 2018/19 production at 28.5 million 480-lb bales (36.5 million 170-kilogram bales/6.2 MMT), which is 200,000 480-lb bales lower than the official USDA estimate. Dry weather in Gujarat state's Saurashtra and Kutch regions and Maharashtra state's central and eastern regions hampered crop development and will likely affect yields. FAS Mumbai estimates all India yields at 1,107 lb (502 kg) per hectare. The Indian Meteorological Department (IMD) reports the Southwest Monsoon (July to September) ended with cumulative rainfall during the season nine percent lower than the fifty-year average. The deficit rainfall and humid conditions led to the emergence of various pests. Therefore, the Government of India issued advisories on using plant protection measures to control sucking pest and pink bollworm infestation after the monsoon. According to the latest crop watch report, all incidence of pests and diseases reported are below economic threshold level.

Heavy rainfall and strong winds due to cyclonic storm “Titli” in the southern part of Odisha’s coastal belt and Andhra Pradesh’s northern part saw wind damage to standing crops in cotton growing districts along the cyclone’s path.

Minimum Support Price (MSP) Procurement to Begin

Delayed planting deferred cotton crop arrivals to market, but small quantities are arriving in markets in Northern India, as prices remain above MSP rates. Cotton Corporation of India’s MSP procurement will commence in the next weeks as pace of arrivals increases. The MY 2018/19 MSP order for the long staple Shankar 6 variety is 26 percent higher than last year at approximately 34 cents per lb (INR 5,400 per 100 kg).

Consumption

FAS Mumbai forecasts MY 2018/19 consumption at 25 million 480-lb bales, which is 500,000 480-lb bales below the USDA official estimate. Cotton consumption will remain flat, as mills focus on manufacturing blended yarns and fabrics with a higher percentage of synthetic fiber to offset the cotton price volatility. Despite increase synthetic fiber costs due to rising crude oil prices, mills will increase the percentage of synthetic fibers in blends as new cotton support prices make cotton a more expensive alternate. Domestic purchases of raw cotton remain low, as mills await the new crop arrivals. In October 2018, Indian ex-gin prices are lower than Cotlook A Index prices and remain a cheaper option for the domestic mills compared to foreign origins.

Stocks of Cotton and Cotton Yarn Remain High

Textile Commissioner Office data show July 2018 mill stocks at 3.85 million 480-lb bales (4.9 million 170-kg bales/840,000 MT), making this July figure the highest since MY 2009/10. Mills maintain adequate cotton stocks as domestic demand remains strong and cotton yarn and fabric exports rise. Cheaper MY 2017/18 raw cotton prices provided reprieve to larger mills for 3 to 4 months.

Trade

FAS Mumbai forecasts MY 2018/19 exports at 4.3 million 480-lb bales (5.5 million 170-kg bales/936,000 MT), which is 100,000 480-lb bales lower than the official USDA estimate. Indian cotton will compete with cotton from other major global exporters. Indian cotton may also not compete well on technical parameters, affecting its export prospects. As of June 2018, top cotton export destinations were Bangladesh, Pakistan, Vietnam, and China. Export shipments remained strong (65 percent higher) in April–July 2018 compared to April–July 2017, as Indian cotton prices remain very competitive on the international market.

Since October 2017, the Indian Rupee depreciated against the U.S. Dollar by approximately 15 percent. The devalued Indian Rupee caused cotton yarn exports to remain strong. China, Bangladesh, and Pakistan remain the top cotton yarn export markets. While the depreciation of the Indian Rupee supported cotton yarn and textile exports, raw cotton exporters managed their risks through forward contracts. Raw cotton exporters were not able to take advantage of the currency depreciation. Top cotton fabric export markets in MY 2017/18 were Senegal, Sri Lanka, and South Korea. FAS Mumbai forecasts MY 2018/19 imports at 1.5 million 480-lb bales (1.9 million 170-kg bales/326,000 MT). Imports will remain stable as mills import for processing and re-export to cover export commitments. Australia and the United States remain the top exporters to Indian mills.

Table 1: India's Cotton Consumption (Mill and Small Sector Units) By Month

(Figures in Million 480-lb Bales)

Month	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Aug	1.723	1.892	1.910	2.019	1.903	1.805
Sep	1.676	1.851	2.015	1.919	1.807	1.737
Oct	1.706	1.876	1.886	1.929	1.680	1.728
Nov	1.647	1.793	1.955	1.822	1.801	1.811
Dec	1.768	1.965	2.022	1.990	1.920	1.963
Jan	1.819	1.967	2.012	1.972	1.954	1.960
Feb	1.737	1.814	1.919	1.924	1.908	1.950
Mar	1.843	1.957	2.044	2.000	2.022	2.024
Apr	1.813	1.898	1.997	1.949	1.938	2.003
May	1.784	1.904	2.000	1.982	1.941	2.062
Jun	1.758	1.882	2.000	1.982	1.918	2.011
Jul	1.883	1.916	1.996	1.953	1.927	2.039
Loss*	0.611	0.493	0.390	1.405	1.366	1.484
Total	21.767	23.208	24.146	24.847	24.085	24.577

Figures in Bold are Provisional

*Loss estimate from the Cotton Advisory Board added into total consumption

Source: Textile Commissioner Office, Government of India

Table 2. India: Monthly Cotton Stocks held by the Textile Sector (Million 170-kg bales)

Month	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18*
Aug	3.463	3.613	3.500	3.538	3.427	3.195
Sep	2.957	2.909	3.049	2.961	2.867	3.345
Oct	2.619	2.503	2.750	2.842	2.770	2.647
Nov	2.981	2.582	3.867	3.678	2.734	3.472
Dec	3.784	3.448	4.053	4.477	3.436	5.134
Jan	4.716	4.359	4.601	5.058	4.012	5.853
Feb	5.293	4.839	5.197	5.750	4.715	5.733
Mar	5.629	5.398	5.336	5.981	5.225	6.170
Apr	5.776	5.531	5.326	5.667	5.325	6.216
May	5.013	5.430	4.988	5.141	5.058	6.249
Jun	4.481	4.880	4.675	4.718	4.789	5.482
Jul	4.204	4.206	3.962	4.075	4.507	4.942

*Provisional Figures

Source: Textile Commissioner, Ministry of Textiles, Government of India

Table 3. India: Monthly Cotton Yarn Stocks held by the Textile Sector
(Million 170 kg bales)

Month	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Aug	103	120	167	166	156	192
Sep	122	133	168	166	153	186
Oct	123	133	179	170	167	167
Nov	126	136	171	174	167	144
Dec	117	132	161	159	166	134
Jan	119	117	162	159	147	135
Feb	109	129	150	155	154	139
Mar	108	134	141	141	148	139
Apr	122	143	141	128	137	127
May	124	140	153	132	147	129
Jun	118	151	159	131	156	137
Jul	117	160	160	136	182	144

Source: Textile Commissioner, Ministry of Textiles, Government of India

Table 4a. India: Estimate of 2016/17 Cotton Exports

	170 kg	Metric Tons	480 lb
August Exports 1\	67,069	11,402	52,368
September Exports 1\	66,389	11,286	51,837
October Exports 1\	51,351	8,730	40,095
November Exports 1\	619,215	105,267	483,486
December Exports 1\	1,098,168	186,689	857,454
January Exports 1\	1,088,024	184,964	849,534
February Exports 1\	780,866	132,747	609,703
March Exports 1\	702,449	119,416	548,475
April Exports 1\	442,278	75,187	345,332
May Exports 1\	446,692	75,938	348,779
June Exports 1\	293,434	49,884	229,114
July Exports 1\	133,018	22,613	103,861
Total Aug-Jul	5,788,953	984,122	4,520,036

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 4b. India: Estimate of 2017/18 Cotton Exports

	170 kg	Metric Tons	480 lb
August Exports 1\	86,664	14,733	67,667
September Exports 1\	78,476	13,341	61,274
October Exports 1\	67,155	11,416	52,435
November Exports 1\	547,000	92,990	427,100
December Exports 1\	1,032,618	175,545	806,272
January Exports 1\	934,086	158,795	729,338
February Exports 1\	830,966	141,264	648,821
March Exports 1\	887,481	150,872	692,948
April Exports 1\	823,273	139,956	642,815
May Exports 1\	569,878	96,879	444,963
June Exports 1\	493,862	83,957	385,609
July Exports 2\	280,885	47,750	219,316
Preliminary Total (Aug-May)	6,632,341	1,127,498	5,178,557

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

2\ FAS Analysis

Table 5a. India: Estimate of 2016/17 Cotton Imports

	170 kg	Metric Tons	480 lb
August Imports 1\	452,847	76,984	353,585
September Imports 1\	812,071	138,052	634,068
October Imports 1\	379,741	64,556	296,503
November Imports 1\	162,424	27,612	126,821
December Imports 1\	109,000	18,530	85,108
January Imports 1\	71,247	12,112	55,630
February Imports 1\	74,918	12,736	58,496
March Imports 1\	137,000	23,290	106,970
April Imports 1\	160,459	27,278	125,287
May Imports 1\	312,576	53,138	244,061
June Imports 1\	444,529	75,570	347,090
July Imports 1\	387,071	65,802	302,226
Preliminary Total	3,503,882	595,660	2,735,845

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 5b. India: Estimate of 2017/18 Cotton Imports

	170 kg	Metric Tons	480 lb
August Imports 1\	438,406	74,529	342,309
September Imports 1\	416,553	70,814	325,246
October Imports 1\	85,606	14,553	66,841
November Imports 1\	46,761	7,949	36,511
December Imports 1\	59,806	10,167	46,697
January Imports 1\	72,186	12,272	56,363
February Imports 1\	99,149	16,855	77,416
March Imports 1\	118,180	20,091	92,276
April Imports 1\	212,332	36,096	165,789
May Imports 2\	198,388	33,726	154,902
June Imports 2\	214,777	36,512	167,699
July Imports 2\	182,849	31,084	142,770
Preliminary Total	2,144,993	364,649	1,674,819

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

2\ FAS Analysis

Table 6: India's Cotton Yarn* Exports by Month
(Figures in thousand Metric Tons)

Month/Year	2012-13	2013-14	2014/15	2015/16	2016-17	2017/18
Aug	93	113	94	117	66	79
Sep	65	108	98	112	77	99
Oct	76	119	101	106	76	98
Nov	87	106	125	105	103	111
Dec	108	113	125	115	173	116
Jan	99	131	113	104	132	87
Feb	102	108	119	100	107	95
Mar	107	117	122	112	89	118
Apr	80	94	104	105	66	106
May	95	93	99	94	65	109
Jun	103	76	103	92	78	117
Jul	111	87	118	75	71	101
TOTAL	1,126	1,266	1,321	1,237	1,102	1,236

*HS code: 5204, 5205 and 5207

Source: Directorate General of Foreign Trade, Ministry of Commerce

Table 7: India's Cotton Fabric* Exports by Month
(Figures in thousand square meters)

Month/Year	2012-13	2013-14	2014/15	2015/16	2016-17	2017/18
Aug	77,093	78,908	92,491	101,473	114,071	107,441
Sep	72,827	101,017	98,636	103,974	104,661	123,563
Oct	70,553	101,327	108,182	117,801	105,404	109,572
Nov	66,084	85,897	103,471	95,082	87,723	118,218
Dec	75,412	100,335	105,335	120,598	111,894	132,634
Jan	74,008	91,169	93,192	116,656	107,512	125,357
Feb	65,141	87,377	96,586	107,487	115,131	113,085
Mar	75,329	98,696	105,169	120,461	112,033	133,115
Apr	65,683	88,629	86,833	109,559	94,314	114,596
May	65,469	81,581	103,443	103,401	89,070	119,666
Jun	67,760	94,572	103,909	97,017	93,372	122,125
Jul	78,547	87,284	97,115	98,890	94,399	113,613
TOTAL	853,906	1,095,904	1,194,361	1,292,397	1,229,584	1,432,986

*HS code: 5208 and 5209

Source: Directorate General of Foreign Trade, Ministry of Commerce